

Message Text

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PAGE 01 TOKYO 08620 011223Z

53

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 PA-04 PRS-01 USIA-15

AID-20 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-07 SS-20 STR-08 CEA-02 L-03 H-03 IO-14

TAR-02 DRC-01 /188 W

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P R 010807Z JUL 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 2996

INFO AMEMBASSY CANBERRA

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: MEAT TRADE PROBLEMS (VISIT OF DEPUTY ASST SEC OF AGR BELL)

REF: STATE 133281; TOKYO 8347; TOKYO 8270; STATE 139359

1. SUMMARY. DEPUTY ASST SEC OF AGRIC BELL MET JUNE 28 WITH TOP LEVEL MAF OFFICIALS, INCLUDING VICE MINISTER NAKANO, AND DIRECTOR GENERAL OF LIVESTOCK INDUSTRY BUREAU, AND WITH DEPUTY DIRECTOR GENERAL ECONOMIC AFFAIRS BUREAU, MINISTRY FOREIGN AFFAIRS, TO SEEK GOJ COOPERATION IN EASING CURRENT WORLD MEAT TRADE PROBLEMS. BELL SUGGESTED THAT JAPAN SHARE RESPONSIBILITY FOR SOLVING CURRENT MARKET IMBALANCES IN CONTEXT OF WORLD TRADE COMMITMENTS AND AS ONE OF THE LARGEST MEAT IMPORTERS AFTER U.S. ESPECIALLY TO BE PREPARED TO ABSORB PART OF AUSTRALIAN SUPPLIES THAT MAY HAVE TO COME TO MARKET LATER THIS YEAR IF PASTURE CONDITIONS DETERIORATE. MAF INDICATED DIFFICULTY IN RESUMING IMPORTS CURRENTLY, SAYING PERHAPS AFTER THIS FALL,
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PAGE 02 TOKYO 08620 011223Z

APOLOGIZING FOR HOPE EXPRESSED DURING SEC BUTZ'S VISIT THAT

ACTION POSSIBLY COULD BE TAKEN IN JULY. BELL EXPRESSED DESIRE THIS COULD HAPPEN OCT OR NOV 1 BUT GOT NO FIRM COMMITMENT. IN REPLY TO IDEA THAT AN INTERNATIONAL CONSULTATION GROUP BE ESTABLISHED FOR REGULAR EXCHANGE OF VIEWS AND INFORMATION BETWEEN MAJOR TRADERS, MAF SEEMED AGREEABLE BUT WISHED TO STUDY. ALL PARTIES LABELED PRESS REPORTS THAT JAPAN CONSIDERING ADOPTION BEEF IMPORT SYSTEM SIMILAR TO PORK AS COMPLETELY FALSE AND NOT WORKABLE FOR BEEF IN ANY EVENT.

2. IN MEETING WITH DIRECTOR GENERAL (DG) OF LIVESTOCK INDUSTRY BUREAU, DG STRESSED THAT FEB SUSPENSION OF 40,000 TON BALANCE OF 2ND HALF JFY 73 QUOTA WAS EMERGENCY MEASURE MADE NECESSARY PRIMARILY BY EFFECTS OIL CRISIS AND 10 TO 20 PERCENT DECLINE IN CONSUMPTION OF BEEF FIRST PART OF CY 74. SAID 38,000 TONS IMPORTED SINCE JAN 1 AND 12,000 MORE DUE JUNE-SEPT. THUS JAPAN HAS NOT SUSPENDED IMPORTS ENTIRELY AND MAY DECISION WAS TO "MERELY" SUSPEND QUOTA FOR PRESENT IN FACE OF ABNORMAL SITUATION, NOT A BAN FOR ENTIRE YEAR. CONCERNED THAT JAPAN'S ACTIONS GIVING PROBLEMS TO AUSTRALIA AND U.S., BUT APPEARS DECLINE IN CONSUMER SPENDING HAS BOTTOMED OUT, THINKS BEEF CONSUMPTION WILL RECOVER THIS FALL AND HOPE QUOTAS CAN BE REINSTATED AFTER FALL. SEES LONG TERM PROSPECTS BEEF CONSUMPTION AND IMPORTS AS INCREASING SO JAPAN WISHES TO RECOMMENCE IMPORTS ASAP TO COOPERATE WITH SUPPLYING COUNTRIES IN SOLVING PROBLEMS AND ASSURE FUTURE SUPPLIES.

3. BELL STATED CONCERN RE REPORTS THAT JAPAN MAY ADOPT A VARIABLE LEVY TYPE PROTECTION ON BEEF (SIMILAR TO PORK), SUGGESTING THAT SOME OTHER SYSTEM OF PRODUCERS SUPPORT SUCH AS DEFICIENCY PAYMENTS WOULD BE PREFERABLE. DG LABELED THESE REPORTS AS COMPLETELY FALSE. SAID MAF STUDYING SYSTEM TO STABILIZE PRICES BUT BY NO MEANS NEAR CONCLUSION. THEIR BASIC ASSUMPTION IS FOR A WORLDWIDE SHORTAGE OF BEEF IN THE FUTURE. THUS JAPAN DOES NOT WANT AN IMPORT SYSTEM THAT UPSETS OTHERS, BUT ONE THAT ASSURES STEADY SUPPLIES TO MEET ITS EXPECTED IMPORT DEMAND. BELL INDICATED NO DIFFICULTY WITH POLICY OBJECTIVES, BUT WILL BE MOST INTERESTED IN PROGRAMS DEVELOPED.

4. TURNING TO IDEA DISCUSSED DURING VISITS AUSTRALIA AND NEW LIMITED OFFICIAL USE

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PAGE 03 TOKYO 08620 011223Z

ZEALAND RE DEVELOPMENT OF MECHANISM FOR REGULAR CONSULTATIONS BETWEEN IMPORTERS AND EXPORTERS, BELL REQUESTED DG'S IDEAS OR COMMENTS. DG INQUIRED AND WAS INFORMED THAT IDEA WAS TO HAVE FORUM FOR MAJOR TRADING NATIONS TO EXPLAIN POLICIES AND PROGRAMS THEY PLANNED TO IMPLEMENT AND EXCHANGE INFORMATION TO PERMIT EACH OTHER TO TAKE THESE INTO ACCOUNT IN DEVELOPING THEIR PLANS. DG SAID WOULD LIKE TO STUDY, PERSONALLY BELIEVED DESIRABLE TO HAVE FORUM TO ENHANCE SMOOTH TRADE FLOW BUT PREFERRED BILATERAL

APPROACH ON SPECIFIC ISSUES. BELL AGREED SUGGESTING THAT FORUM SHOULD NOT GET INTO PRICING OR QUANTITIES.

5. BELL THEN INQUIRED RE "HOTEL QUOTA" OF 1,000 TONS FOR QUALITY BEEF WHICH HE UNDERSTOOD NOT IN SURPLUS SO PERHAPS THIS COULD BE INCREASED SUBSTANTIALLY -- ON AN EMERGENCY BASIS. DG CLAIMED MOST RECENT HOTEL QUOTA NOT FILLED, SUGGESTING U.S. SHOULD PERHAPS DO MORE PROMOTION ITS QUALITY BEEF WHICH SUITS TASTE OF JAPANESE CONSUMERS, GIVING GOOD OPPORTUNITY TO GAIN LARGER SHARE OF GENERAL QUOTA WHEN IMPORTS RESUME. POINTED TO AUSTRALIAN EFFORTS TO EXPAND PRODUCTION GRAIN FED BEEF FOR JAPANESE MARKET. BELL WAS THEN ASKED TO AND GAVE GENERAL REVIEW OF SITUATION IN AUSTRALIA AND NEW ZEALAND AND DISCUSSIONS HELD.

6. IN MEETING DG OF FOOD AGENCY, MAIN POINT THAT EMERGED WAS DG'S STATEMENT THAT JAPAN PLANS TO PURCHASE AT LEAST AS MUCH WHEAT FROM THE U.S. AS LAST YEAR. RE STOCKS, DG REFERRED TO INCREASE IN WHEAT STOCKS FROM 1.7 TO 2.3 MONTH SUPPLY, PLAN TO INCREASE RICE STOCKS FROM 2 TO 3 MONTH LEVEL AND FEED-GRAINS FROM CURRENT 1 MILLION MT TO 2 MILLION MT LEVEL OVER 5 YEAR PERIOD. BELL OPINED THAT THIS WOULD PROVIDE ONLY FOR EMERGENCIES (STOCKS AGAINST FAMINE), NO PROTECTION AGAINST PRICE FLUCTUATIONS. U.S. HAS HOPED JAPAN AS SINGLE MAJOR IMPORTER OF GRAINS WOULD DO MORE TO HELP STABILIZE WORLD PRODUCTION AND TRADE AND SHARE RESPONSIBILITY FOR ADEQUATE STOCKS (SEE NEXT PARA).

7. IN MEETING WITH VICE MINISTER NAKANO HE STATED THAT CURRENT BEEF PROBLEMS WERE UNEXPECTED AND TOOK OPPORTUNITY TO EXPRESS THANKS FOR U.S. EFFORTS RE GRAINS IN PAST YEAR THAT HAD BROUGHT WELCOME RELIEF. BEEF PROBLEM DIFFICULT IN SHORT RUN, WHEREAS LONG RUN OUTLOOK MOST FAVORABLE. AS FOR RESUMPTION OF IMPORTS LIMITED OFFICIAL USE

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PAGE 04 TOKYO 08620 011223Z

IN LATE 1974, BELL SAID HE HOPED THIS WOULD MEAN OCT OR NOV. RE GRAIN STOCKS POLICY, LIMITED STORAGE IN JAPAN, HIGH COSTS AND OTHER DIFFICULTIES, NAKANO INQUIRED AGAIN RE BUYING AND STORING IN U.S. AS DISCUSSED DURING SEC BUTZ'S VISIT. EXPRESSED DESIRE TO DISCUSS THIS FURTHER DURING PLANNED OCT VISIT TO U.S. PPIS INDICATED USDA WOULD BE PREPARED TO DO SO.

8. MEETING WITH NOMURA OF MINISTRY OF FOREIGN AFFAIRS REVIEWED HIGHLIGHTS MENTIONED ABOVE AND DESIRE BY BOTH SIDES THAT ISSUES BE RESOLVED ASAP. NOMURA EMPHASIZED JAPAN'S SUPPORT OF FREE TRADE PRINCIPLES IN GENERAL AND REGRETTED CURRENT PROBLEMS RE BEEF. SHOESMITH

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